



Quarterly Revenue Update

March 2004



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This report is a quarterly publication that provides an update on the collection of selected County revenues. For questions, please call the above at (240) 777-8866.

➤ **First Three Quarter Results.** Total revenue collections of \$1.443 billion during the first three quarters of FY04 are 3.6% higher compared to the first three quarters of FY03 and are below target with the revised estimate for this fiscal year. It is important to note that the County receives collections on a monthly, quarterly, or semi-annual basis. Payments received near the end of a month may not be recorded until the next quarter which may distort the comparison to the prior year and the revised forecast.

➤ **Income Tax.** Collections for the first three quarters of FY04 are \$32.6 million, or 6.1%, below the collections during the first three quarters of FY03. The decline can be attributed primarily to a very weak first half of calendar year 2003; a period in which withholdings and estimated payments declined an average of 2.5 percent compared to the same period in 2002. Since that time, withholdings and estimated payments increased 2.4 percent, the first such increase in a year. With that increase and the acceleration of cash payments attributed to administrative policies of the Maryland Comptroller in the final quarter of FY04, total collections from the income tax are projected to grow 8.9% compared to last fiscal year.

➤ **Property Tax.** Collections during the first three quarters of FY04 were 3.9% above the same period in FY03 and below the 7.9% percent growth estimated in the revised forecast. The difference between the growth rates is mainly attributed to personal property tax collections to date which are below the levels experienced during the same period last year. That difference is a result of personal property tax payments that are received at the end of the quarter will not be recorded until the first month of the fourth quarter.

➤ **Transfer and Recordation Taxes.** With mortgage interest rates remaining at historic lows, home sales growing at 3%, and home prices accelerating at double-digit rates, collections from the transfer tax during the first three quarters of FY04 were 19.6% above the same period last year, and collections from the recordation tax were 34.5% above last year. Collections from both taxes were \$33.2 million above the first three quarters of FY03 and on target with the revised forecast.

➤ **Other Taxes and Highway User Fund.** Collections from the fuel and energy tax and the telephone tax were 156.1% and 336.1% higher, respectively, during the first three quarters of FY04 compared to the same period in FY03. Both growth rates are attributed to rate increases enacted by the County Council last summer and are on track with the revised estimates. Such increases have offset declines in the highway user fund (-29.4%) and admissions tax (-9.5%).

➤ **Investment Income.** The accommodative monetary policy of the Federal Reserve during the past three quarters has effectively kept interest rates on money market instruments at their lowest in over fifty years. While such an accommodative policy rate has helped the national economy expand since the end of the recession, they have cut the yields on short-term money market instruments particularly those investments undertaken by the County from 1.31% in March 2001 to 1.12% in March 2004. Because of the rates cuts, investment income was \$4.3 million or 45.9% below last year's investment income in the first three quarters of FY04.

**MONTGOMERY COUNTY
MAJOR REVENUE COLLECTIONS
FISCAL YEAR 2004**

| <u>TAXES :</u> | <i>REPORTING PERIOD</i> | | | <i>VARIANCE FY04 / FY03</i> | <i>PERCENT CHANGE</i> | <i>FY04 REVISED FORECAST</i> | | | <i>PERCENT CHANGE</i> |
|-------------------------------|-----------------------------|-----------------|-----------------|---------------------------------|---------------------------|--------------------------------------|-----------------|---------------------------------|---------------------------|
| | | <i>FY04</i> | <i>FY03</i> | | | | <i>FY02</i> | <i>VARIANCE FY03 / FY02</i> | |
| INCOME | <i>March</i> | \$499,461,994 | \$532,061,232 | (\$32,599,238) | -6.1% | 8.9% | \$613,885,296 | (\$81,824,063) | -13.3% |
| PROPERTY | <i>March</i> | 710,348,093 | 683,514,678 | 26,833,415 | 3.9% | 7.9% | 617,311,495 | 66,203,183 | 10.7% |
| TRANSFER | <i>March</i> | 76,289,756 | 63,773,677 | 12,516,079 | 19.6% | 5.7% | 57,901,420 | 5,872,257 | 10.1% |
| RECORDATION | <i>March</i> | 80,783,477 | 60,063,012 | 20,720,465 | 34.5% | 16.3% | 37,263,937 | 22,799,075 | 61.2% |
| FUEL/ENERGY | <i>March</i> | 33,721,501 | 13,167,142 | 20,554,359 | 156.1% | 188.4% | 11,475,573 | 1,691,569 | 14.7% |
| HOTEL/MOTEL | <i>March</i> | 7,829,156 | 7,764,080 | 65,076 | 0.8% | 9.4% | 7,089,549 | 674,530 | 9.5% |
| TELEPHONE | <i>March</i> | 15,243,501 | 3,495,057 | 11,748,444 | 336.1% | 372.7% | 3,646,764 | (151,706) | -4.2% |
| ADMISSIONS | <i>March</i> | 1,644,669 | 1,818,131 | (173,463) | -9.5% | 2.9% | 1,717,320 | 100,811 | 5.9% |
| <u>MISCELLANEOUS :</u> | | | | | | | | | |
| INVESTMENT INCOME | <i>March</i> | 5,047,645 | 9,334,250 | (4,286,605) | -45.9% | -54.5% | 17,013,975 | (7,679,725) | -45.1% |
| HIGHWAY USER | <i>March</i> | 12,637,456 | 17,912,314 | (5,274,858) | -29.4% | -27.1% | 18,354,119 | (441,805) | -2.4% |
| <u>TOTAL</u> | | \$1,443,007,248 | \$1,392,903,572 | \$50,103,676 | 3.6% | 11.8% | \$1,385,659,447 | \$7,244,126 | 0.5% |

April 16, 2004